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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

AMAZON.COM, INC, and AMAZON WEB SERVICES, INC.

Plaintiff,

v.

PERSONALWEB TECHNOLOGIES, LLC, a Texas limited liability company, and
LEVEL 3 COMMUNICATIONS, LLC, a Delaware limited liability company,

Defendants.

**CASE NO.: 5:18-cv-00767-BLF**

**MDL 2834**

**DEFENDANTS' NOTICE OF MOTION AND RULE 12(B)(1) MOTION TO DISMISS FIRST AMENDED COMPLAINT**

DATE: June 14, 2018
TIME: 9:00 am
JUDGE: Hon. Beth Labson Freeman
CTRM: 3

**TO THE COURT AND TO ALL PARTIES OF RECORD:**

**PLEASE TAKE NOTICE** that on June 14, 2018 at 9:00 a.m., or on such other date to be set by the Court, at 280 South 1st Street, San Jose, California, in Courtroom 3, before the Honorable Beth Labson Freeman, Defendant PersonalWeb Technologies LLC and Level 3 Communications, LLC (collectively, "PersonalWeb") will, and hereby do, move this Court to dismiss Amazon.com, Inc.'s ("Amazon.com") and Amazon Web Services, Inc.'s ("AWS") (collectively, "Amazon") First Amended Complaint for Declaratory Judgement (Dkt. No. 36) ("First Amended Complaint" or "FAC") in its entirety.

PersonalWeb brings this motion to dismiss under Federal Rules of Civil Procedure 12(b)(1) because Amazon's First Amended Complaint fails to establish facts sufficient to confer the exercise of subject matter jurisdiction over its Declaratory Judgment Action. This motion is brought after, first, conferring with Amazon's counsel on March 21, 2018 to discuss the basis of its filing and requesting Amazon to stipulate to (1) withdrawing its currently pending Motion for Injunction (Dkt. 19 and 20); (2) amending its original Complaint, and (3) not refiling its motion for injunction until after the Court has first determined whether it has and will exercise subject matter jurisdiction. While PersonalWeb was waiting for a response to the stipulation, Amazon filed its First Amended Complaint.

Thereafter, on March 27, 2018, PersonalWeb's counsel conferred with Amazon's counsel to discuss the basis of PersonalWeb's request that Amazon dismiss its First Amended Complaint as the First Amended Complaint did not rectify the subject matter jurisdiction issues. This motion seeks entry of an order dismissing the First Amended Complaint based on the following Memorandum of Points and Authorities filed concurrently herewith, on all pleadings and papers on file or to be filed in the above-entitled action, arguments of counsel and any other matters that may properly come before the Court for its consideration.

Dated: April 13, 2018

Respectfully submitted,

**IP LAW GROUP, LLP**

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## MEMORANDUM OF POINTS AND AUTHORITIES

Defendant PersonalWeb Technologies, LLC ("PersonalWeb") respectfully moves this Court to dismiss Amazon.com, Inc.'s ("Amazon.com") and Amazon Web Services, Inc.'s ("AWS") (collectively, "Amazon") First Amended Complaint for Declaratory Judgement (Dkt. No. 36) ("FAC") in its entirety for the reasons set forth herein.

## I. INTRODUCTION AND FACTUAL SUMMARY

PersonalWeb has sued website operators that are alleged to, among things, use a website architecture, called Ruby on Rails ("Ruby"), in combination with certain aspects of the HTTP web protocol. The Ruby architecture and the web protocol control the files a user's browser employs to render a webpage, to ensure that only the latest authorized content is used in rendering that webpage. *See, e.g. PersonalWeb Technologies, LLC et al v. Airbnb, Inc.*, 5:18-cv-00149, Dkt. No. 1 at ¶¶ 19, 20, 21 (N.D. Cal. Jan. 8, 2018).

As alleged by PersonalWeb, the Ruby architecture performs certain specific tasks that are part of the infringement. In particular, the Ruby architecture renders a webpage by using an index file and asset files. *Id.* The index file for a given webpage lists the filenames of each of the asset files that are necessary to render that webpage. *Id.* at ¶ 24. When an asset file is originally created or changed by the website owner, Ruby automatically calculates a content fingerprint for the asset file by applying a hash function to the file's content and inserts that calculated content fingerprint into the file's filename. *Id.* at ¶¶ 19, 20, 21. When the file's content changes (*e.g.* a given image is replaced by a different image), Ruby automatically calculates a new content fingerprint by applying the hash function to the file's new content and updates the filename by replacing the old fingerprint with the new one. *Id.* Ruby then updates the index file by replacing the filename having the old fingerprint with the filename having the new fingerprint. *Id.* at 21.

On February 5, 2018, Amazon filed its original Complaint in this matter, seeking declaratory judgment regarding PersonalWeb's claims of infringement against the website operators.

Amazon has not alleged facts or allegations made by PersonalWeb that would subject Amazon to a finding of contributory infringement or inducement of infringement of PersonalWeb's patents through the use of Amazon's services. Nor has Amazon alleged that it had an obligation to indemnify the website operators or had agreed to indemnify the website operators at the time Amazon filed its complaint. "A declaratory judgment plaintiff must plead facts sufficient to establish jurisdiction at the time of the complaint, and post-complaint facts cannot create jurisdiction where none existed at the time of filing. [*Citations omitted*]." *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 906 (Fed. Cir. 2014). Accordingly, this Court does not have subject matter jurisdiction over Amazon's declaratory judgment action and Amazon does not have standing to bring this action. It must be dismissed.

## II. PROCEDURAL BACKGROUND

Amazon's entire basis for subject matter jurisdiction is alleged in paragraph 8 of its originally filed Complaint:

> 8. This is a civil action regarding allegations of patent infringement arising under the patent laws of the United States, Title 35 of the United States Code, in which Amazon seeks declaratory relief under the Declaratory Judgment Act. Defendants have sued Amazon's customers, alleging patent infringement because they use Amazon's S3 service. Thus, a substantial controversy exists between Amazon and defendants that is of sufficient immediacy and reality to empower the Court to issue a declaratory judgment. *See Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 903 (Fed. Cir. 2014). The Court has subject matter jurisdiction over this action under 28 U.S.C. §§ 1331 and 1338, and under 28 U.S.C. §§ 2201 and 2202.

Between March 21, 2018 and March 23, 2018, PersonalWeb conferred with Amazon regarding its motion to dismiss (that it anticipated filing on March 23, 2018).

During that process, PersonalWeb informed Amazon that Amazon had failed to establish subject matter jurisdiction (which Amazon was then alleging in ¶ 8 of its Complaint) under the case law Amazon itself had cited in the Complaint, and requested Amazon to file an Amended Complaint, withdraw its motion for injunction, and further to not refile such a motion until subject matter jurisdiction was resolved. While PersonalWeb awaited Amazon's response, Amazon filed this 11th hour First Amended Complaint, minutes before PersonalWeb was to file its motion to dismiss the original Complaint. Thereafter, on March 27, 2018, PersonalWeb conferred with Amazon regarding its motion to dismiss the First Amended Complaint despite Amazon's allegations of indemnification.

Paragraph 8 of the First Amended Complaint again alleges Amazon's basis for the Court to exercise subject matter jurisdiction. It is reproduced below, with the newly added allegations in bold:

> 8. This is a civil action regarding allegations of patent infringement arising under the patent laws of the United States, Title 35 of the United States Code, in which Amazon seeks declaratory relief under the Declaratory Judgment Act. Defendants have sued Amazon's customers, alleging patent infringement because they use Amazon's S3 service. **Defendants' allegations are identical for all customers and consistently reference Amazon S3 as the allegedly infringing technology, and therefore give rise to implied indirect infringement claims against Amazon. As discussed below, Amazon is indemnifying and defending its customers in these suits consistent with the indemnity provisions of the AWS Customer Agreement.** Thus, a substantial controversy exists between Amazon and defendants that is of sufficient immediacy and reality to empower the Court to issue a declaratory judgment. *See Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 903 (Fed. Cir. 2014). The Court has subject matter jurisdiction over this action under 28 U.S.C. §§ 1331 and 1338, and under 28 U.S.C. §§ 2201 and 2202.

But as a matter of law under the very same case law cited by Amazon, these additional allegations do not establish the Court's subject matter jurisdiction.

## III. ARGUMENT

### A. Amazon Fails to Establish Subject Matter Jurisdiction

Amazon cites to a single case, *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 903 (Fed. Cir. 2014) to support its contention that the three factual allegations it makes in its FAC establish subject matter jurisdiction: namely, that [1] "Defendants have sued Amazon's customers, alleging patent infringement because they use Amazon's S3 service" and that "Defendants' allegations are identical for all customers and consistently reference Amazon S3 as the allegedly infringing technology"; [2] "and therefore give rise to implied indirect infringement claims against Amazon"; and [3] "…Amazon is indemnifying and defending its customers in these suits consistent with the indemnity provisions of the AWS Customer Agreement." (First Amended Complaint at ¶8). But *DataTern* shows Amazon has not established subject matter jurisdiction by these three allegations.

1. **Allegation [1]: "Defendants have sued Amazon's customers, alleging patent infringement because they use Amazon's S3 service" and that "Defendants' allegations are identical for all customers and consistently reference Amazon S3 as the allegedly infringing technology."**

This allegation is contradicted by the complaints that PersonalWeb filed against the website operators. As set forth in Section I, *supra*, PersonalWeb has sued the website owners because they use a combination of the Ruby architecture and aspects of the HTTP web protocol in an allegedly infringing manner, not just because they use S3. To the extent that the phrases "because they use Amazon's S3 service" and "Amazon S3 as *the* allegedly infringing technology" (emphasis added) are intended to suggest otherwise, they are factually incorrect.

While Amazon's addition of an allegation of implied indirect infringement later in paragraph 8 of the FAC (discussed in section III. A. 2., *infra*) appears to abandon any claim that subject matter jurisdiction is based on PersonalWeb's allegations of direct

infringement against Amazon's customers, to be clear, *DataTern* is explicit that this would not be enough to establish subject matter jurisdiction.

In *DataTern,* the patent owner (DataTern) sued several Microsoft and SAP customers for infringement of two patents. *Id.* at 902. Microsoft and SAP later filed separate non-infringement and invalidity declaratory judgment actions against DataTern. *Id.* On appeal, the Federal Circuit resolved the issue of "whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Id.* at 903 (citing *MedImmune, Inc. v. Genentech, Inc.,* 549 U.S. 118, 127 (2007)).

In ruling that Microsoft (Appellee in the *DataTern* Federal Circuit decision) had not established subject matter jurisdiction over one of the patents, the Federal Circuit held:

> To the extent that Appellees argue that they have a right to bring the declaratory judgment action *solely because their customers have been sued for direct infringement, they are incorrect*. DataTern has accused customers using Appellees' software packages of infringing the asserted method claims, but there are no arguments that there is a case or controversy between DataTern and Appellees on direct infringement.

*Id.* at 904 (citing *Arris Group, Inc. v. British Telecommunications* PLC, 639 F.3d 1368, 1375 (Fed. Cir. 2011) and *Microchip Tech. Inc. v. Chamberlain Grp., Inc.*, 441 F.3d 936, 943-44 (Fed. Cir. 2006)) (emphasis added).

**2. Allegation [2]: The allegations against the Defendants "therefore give rise to implied indirect infringement claims against Amazon."**

Defendant next alleges that the allegations against the Defendants "give rise to an implied indirect infringement claim against Amazon." FAC at ¶ 8.

However, as made clear in *DataTern*, allegations of infringement against an entity's customers are not enough to show an allegation of indirect infringement against the "supplier/manufacturer". Specifically, the Federal Circuit in *DataTern* stated,

"where a patent holder accuses customers of direct infringement based on the sale or use of a supplier's equipment, the supplier has standing to commence a declaratory judgment action *if* ... there is a controversy between the patentee and the supplier as to the supplier's liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers." *DataTern*, 755 F.3d at 903 (emphasis in original) (quoting *Arris Group, Inc.*, 639 F.3d at 1375). Amazon has not sufficiently alleged that a controversy exits as to either induced or contributory infringement by Amazon relative to their customers' use of Amazon's services.

Contributory infringement requires that the accused *know* that their component was "especially made or especially adapted for use in an infringement of such patent" and that it is not "a commodity of commerce suitable for substantial noninfringing use." 35 U.S.C. § 271(c). Thus, in *Arris Group, Inc.*, the Federal Circuit only found a genuine controversy over contributory infringement, where the patentee "repeatedly communicated this implicit accusation directly to the declaratory judgment plaintiff during the course of a protracted negotiation process" and whereby each element required for contributory infringement under § 271(c) was analyzed before determining an implied assertion of contributory infringement that supported jurisdiction." *Arris Group, Inc.* 639 F.3d at 1376-78; *see also*, *DataTern*, 755 F.3d at 903.

Amazon has not alleged that PersonalWeb contends (because it doesn't) that Amazon's web services were especially made or especially adapted for use in an infringement of the PersonalWeb patents, or that Amazon knew that their services were so made or adapted. Similarly, Amazon has not alleged that PersonalWeb contends (because it doesn't) that Amazon's web services are not a commodity of commerce suitable for substantial noninfringing use. Accordingly, there is no controversy between PersonalWeb and Amazon as to whether Amazon contributed to the alleged infringement of PersonalWeb's patents by the sued website operators.

Induced infringement requires "that the accused inducer took an affirmative act to encourage infringement with the knowledge that the induced acts constitute patent

infringement." *DataTern*, 755 F.3d at 904 (citing *Global–Tech Appliances, Inc. v. SEB S.A.*, —— U.S. ——, 131 S.Ct. 2060, 2068, 179 L.Ed.2d 1167 (2011)). As with contributory infringement, Amazon has not alleged that PersonalWeb contends (because it doesn't) that Amazon "took an affirmative act to encourage infringement with the knowledge that the induced acts constitute patent infringement." *DataTern*, 755 F.3d at 904. Thus, there is no controversy between PersonalWeb and Amazon as to whether Amazon induced the alleged infringement of PersonalWeb's patents by the sued website operators.

Amazon's not so veiled effort to suggest that *it should be* liable for patent infringement under some secondary theory of either induced or contributory infringement does not in substance deviate from Amazon essentially still arguing that PersonalWeb's suit against the website owners should *automatically* give rise to a case of indirect infringement—the very notion *DataTern* soundly rejected. *Id.* ("To the extent that Appellees argue that DataTern's suits against it customers *automatically* give rise to a case or controversy regarding induced infringement, *we do not agree*.") (emphasis added).

Therefore, Allegation [2] does not give rise to the Court's exercise of subject matter jurisdiction on the basis of a non-pleaded claim of induced or contributory infringement by Amazon.

**3. Allegation [3]: "As discussed below, Amazon is indemnifying and defending its customers in these suits consistent with the indemnity provisions of the AWS Customer Agreement."**

Standing to sue is determined at the time of the filing of the complaint. *Arris Group, Inc.*, 639 F.3d at 1374. Thus, in order for Amazon to establish standing to commence a declaratory judgment action based on its customers' use of Amazon's product, Amazon must show that, at the time they filed their complaint, they were "*obligated* to indemnify its customers from infringement liability." *Id.* at 1375 (emphasis added). What Amazon alleges, on the other hand, is that it "*is* indemnifying

and defending its customers in these suits consistent with the indemnity provisions of the AWS Customer Agreement." FAC at ¶ 8.

Amazon attempts to support its standing allegation by adding a paragraph to the complaint with language from Section 9.2(a) of its AWS Customer Agreement. FAC at ¶ 32. However, Amazon neglects to quote Section 9.2(c) of the same agreement, which states, "Neither party will have obligations or liability under this Section 9.2 arising from *infringement by combinations of the Services* or Your Content, as applicable, *with any other product, service, software, data, content or method.*" (emphasis added). As discussed above in Section I, the website operators' alleged infringement is based on their use of certain aspects of the Ruby on Rails system architecture *in combination with* certain aspects of the HTTP web protocol, and not just on Amazon's AWS. Thus, by the plain language of the AWS Customer Agreement, Amazon is not obligated to indemnify its customers for the infringement alleged by PersonalWeb. That Amazon later purportedly decided to do so anyway does not change the fact that it was not *obligated* to indemnify the customers when Amazon filed the original complaint.

Amazon's FAC also adds that it "*has agreed* for purposes of this case to indemnify and defend the Amazon customers that PersonalWeb has accused of infringing the patents-in-suit." FAC at ¶ 32 (emphasis added). Conspicuous in its absence is an allegation of *when* Amazon agreed to indemnify and defend its customers. More specifically, there is no allegation that at the time the original complaint was filed, Amazon *had already* agreed to so indemnify its customers. Absent this fact, Amazon did not "stand in the shoes" of its customers at the time its original complaint was filed and thus did not have standing to bring this declaratory judgment action.

Therefore, Allegation [3] does not establish subject matter jurisdiction, even in light of new paragraphs 32 and 33 of the FAC related to indemnity.

## IV. CONCLUSION

Amazon's First Amended Complaint must be dismissed as Amazon has simply alleged insufficient facts giving rise to the Court's exercise of subject matter jurisdiction.

Dated: April 13, 2018

Respectfully submitted,

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*CASE NO.: 5:18-cv-00767-BLF*
*MDL 2834*

**PROOF OF SERVICE**

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 15260 Ventura Blvd., Suite 840, Sherman Oaks, California 91403.

On April 13, 2018, I served the foregoing document(s) described as follows: **DEFENDANTS' NOTICE OF MOTION AND RULE 12(B)(1) MOTION TO DISMISS FIRST AMENDED COMPLAINT and [PROPOSED] ORDER RE DEFENDANTS' NOTICE OF MOTION AND RULE 12(B)(1) MOTION TO DISMISS FIRST AMENDED COMPLAINT** on the interested parties in this action, by placing serving a true copy thereof by means described below to the following addressee(s):

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| ☑ | **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") FRCP, Rule 5(b)(2)(E) (Pursuant to controlling General Order(s) and Local Rule(s) ("LR"), the foregoing document will be served by the court via NEF and hyperlink to the document to counsel at the email address(s) listed above.** |

I declare under penalty of perjury under the laws of the State of California, that the above is true and correct.

Executed on April 13, 2018 at Sherman Oaks, California.

Michele Glikman